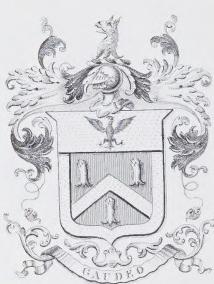


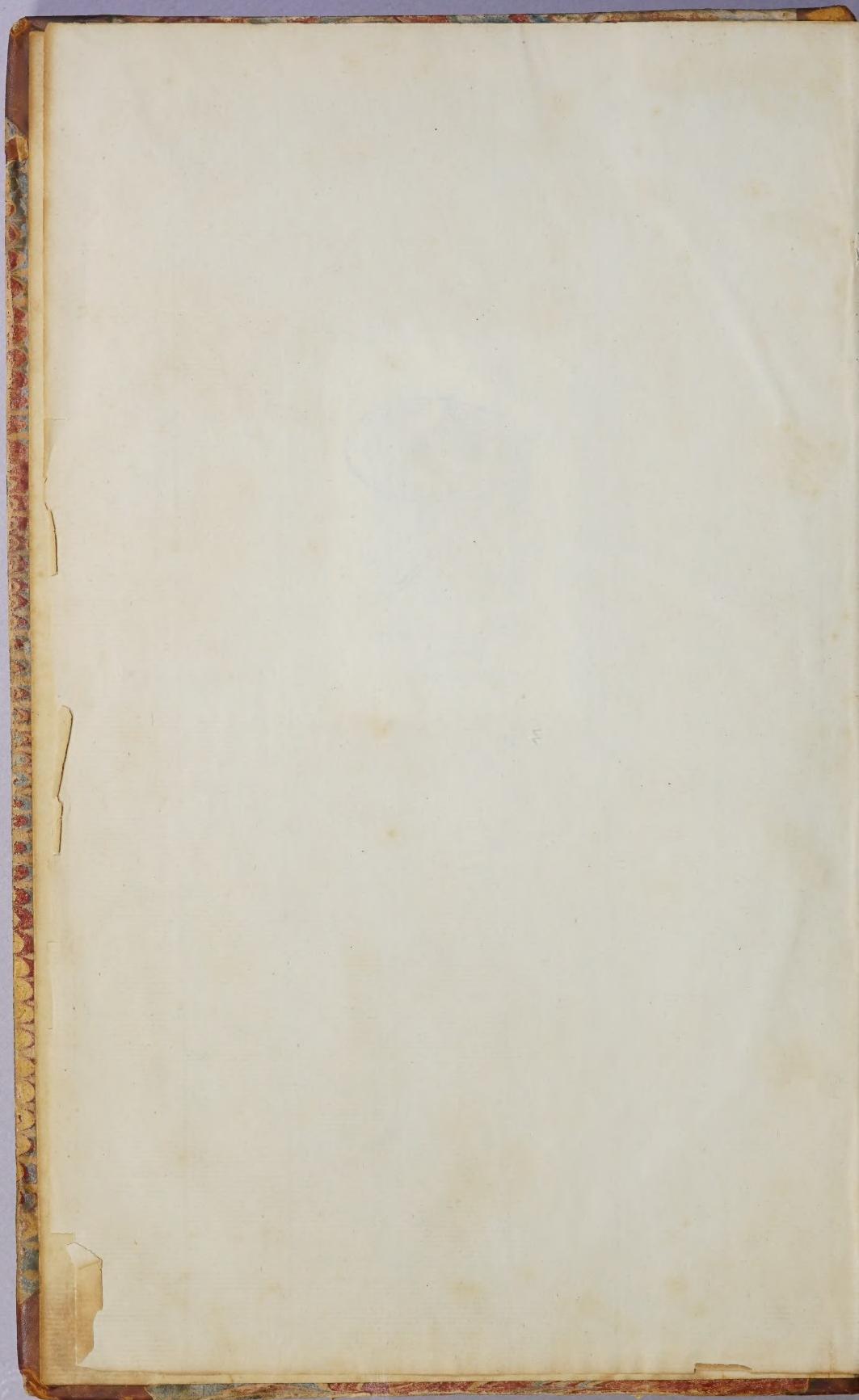


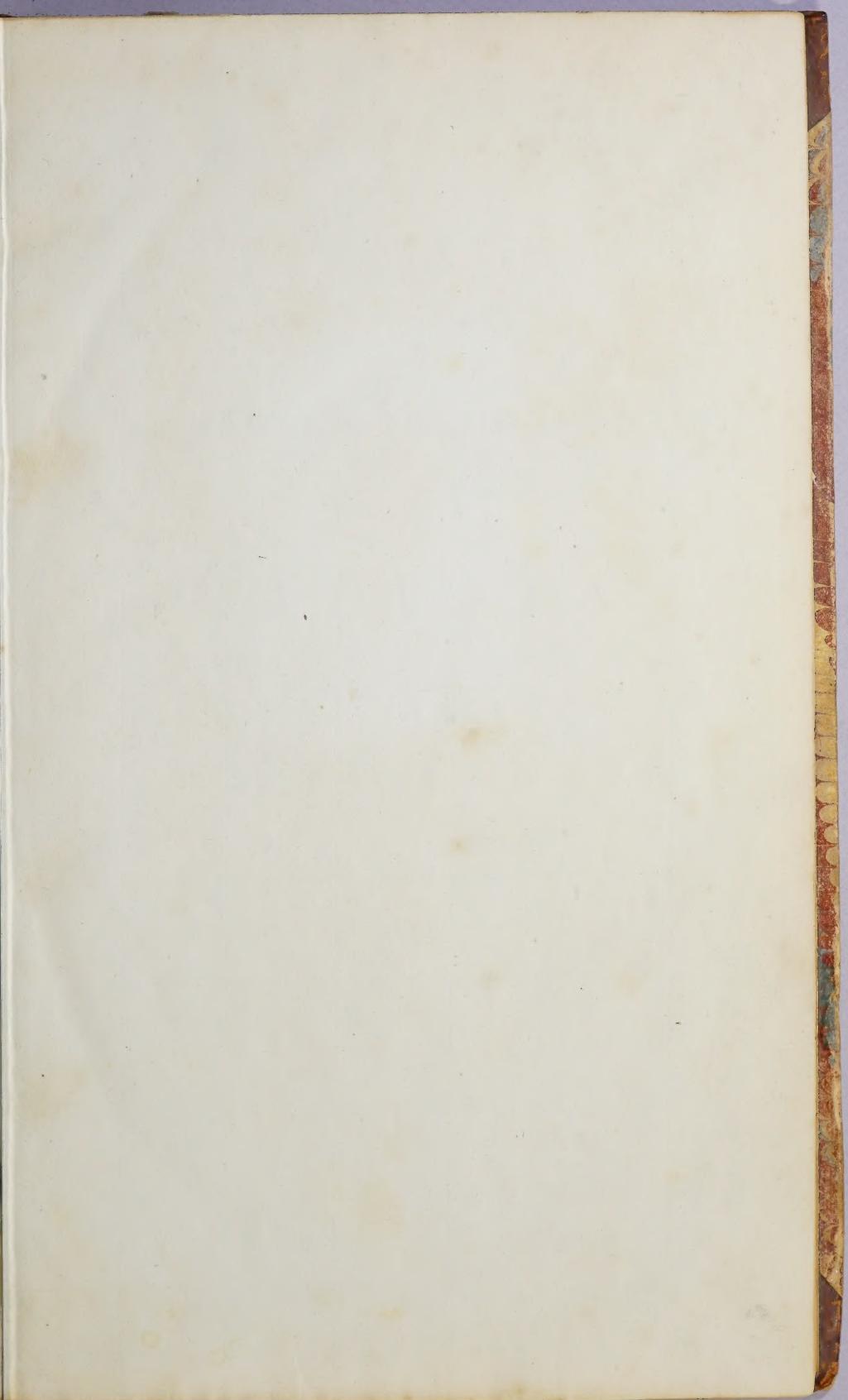
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*D. Holcott, Report
March 8-1796*

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L E T T E R
FROM THE
SECRETARY OF THE TREASURY,
TO THE
CHAIRMAN
OF THE
COMMITTEE OF WAYS AND MEANS.

PUBLISHED BY ORDER OF
THE HOUSE OF REPRESENTATIVES,
THE 12th OF MARCH, 1796.

Treasury Department,

MARCH 8, 1796.

SIR,

I HAVE the honor to transmit herewith four statements exhibiting the sums necessary to discharge one hundred dollars of six per cent. stock, upon the principles assumed in the following propositions transmitted to me by the committee.

First.—Supposing one and half per cent. to be paid on the last days of March, June, and September, and three and one half per cent. on the last day of December of every year, till the annuity is redeemed.

Second.—Supposing one and half per cent. to be paid on the last days of March, June and September 1796, and three and one half per cent. on the last day of December 1796, and that from the last day of March 1797, inclusive, till the annuity is redeemed, two per cent. shall be paid every quarter.

Third.—Supposing one and one half per cent. to be paid on the last days of March, June, September and December 1796, and from the last days of March 1797, inclusive, till the annuity is redeemed, two per cent. shall be paid every quarter.

Fourth.—Supposing that one and half per cent. be paid on the last days of March, June, and September 1796, and from thence forward two per cent. per quarter.

To discharge one hundred dollars, principal stock, agreeably to the first proposition, there would be wanted,

Dollars,	188,52600
Agreeably to the second proposition, -	186,54179
Agreeably to the third proposition, -	191,725,448
Agreeably to the fourth proposition, -	190,548,336

Upon the principles assumed in the communication which I had the honour to make to the committee on the 26th of January 1796, the reimbursement of one hundred dollars principal, would require, dollars, 190,369.

It now remains to determine the true meaning of the public stipulation with the creditors, as expressed in the act making provision for the debt of the United States, passed on the fourth day of August 1790.

The contract is expressed in these words, "the subscriber shall be entitled to a certificate purporting that the United States owe to the holder a sum to be expressed therein, bearing an interest of six per centum per annum payable quarterly and subject to redemption by payments not exceeding in one year on account of both principal and interest the proportion of eight dollars upon a hundred of the sum mentioned in such certificate."

The general principle assumed in the communication submitted by me to the committee, was this:

That the capital due at the commencement of any given year, is fixed during the whole of the said year, and that the public by including in the quarterly dividends sums exceeding those actually due for interest, do not acquire a right to have the same applied to the reduction of principal, until the commencement of the succeeding year. In other words, my idea is this, that the dividends for interest must for every quarter of a given year be uniform, in order to satisfy the contract.

The propositions transmitted by the committee proceed upon a supposition that a new principal upon which to calculate interest may be fixed, quarterly, and of course, that in case greater sums are included in the quarterly dividends than those actually due for interest, the public may immediately apply them to the diminution of capital, and thus arrest the growth of future interest.

(4)

I continue to be of opinion that the construction last mentioned cannot be supported, and my reasoning on the subject is as follows:

The stock, as created by the act of August 4th 1790, can be no otherwise defined than as an annuity of *six per centum per annum* for an indefinite term, convertible, at the pleasure of the United States, into an annuity of *eight per centum per annum* of equivalent value.

The stock supposed by the propositions may be properly defined to be an annuity for an indefinite term of *one and an half per centum for every three months*, convertible into an annuity of *two per centum for every three months*.

The results presented in the calculations now transmitted, shew that these descriptions of stock are not of the same value, the latter being susceptible of extinguishment with a lesser sum of money than the former.

That the definition assumed in the propositions transmitted by the committee, is inapplicable to the stock created by the act of August 1790, is in my opinion evident from the following considerations:

First.—The act of August 4th 1790, speaks of a capital bearing *an interest of six per centum per annum, subject to redemption by payments not exceeding in one year the proportion of eight dollars upon a hundred*, and as these words are descriptive of the contract they must be construed to support some precise meaning.

Second.—The construction assumed in the propositions defeats and renders nugatory those expressions in the contract which relate to a *yearly rate of interest and yearly payments*.

Third.—The construction taken by the Treasury avoids this difficulty by assigning to every part of the contract some definite sense, to wit: that though the *Interest* is required to be adjusted *quarter yearly*, the payments on account of *Principal*, are to be estimated only in reference to an *entire year*.

Fourth.—That admitting the meaning of the contract to be doubtful, which however does not appear to be the case, the construction most beneficial to the creditors is to be preferred.

If however the legislature should over-rule the construction which has been given, it is conceived that the first proposition is the most eligible of the four which have been mentioned, and for the following reasons:

First.—Many of the public creditors may be presumed to have formed arrangements under an expectation of receiving one and one half per centum quarter-yearly; by continuing this dividend these arrangements will be less disturbed than in either of the other modes.

Second. It is possible that the public exigencies may render it necessary to have recourse to loans; if this should be the case, it will be more convenient, as well as economical to borrow the whole sum wanted at one time, than at different times in the same year.

A draft of a bill pursuant to certain resolutions of the House of Representatives of the 18th of February is herewith transmitted.

I have the honor to be,

With perfect respect,

SIR,

Your most obedient servant,

OLIV: WOLCOTT, jun.

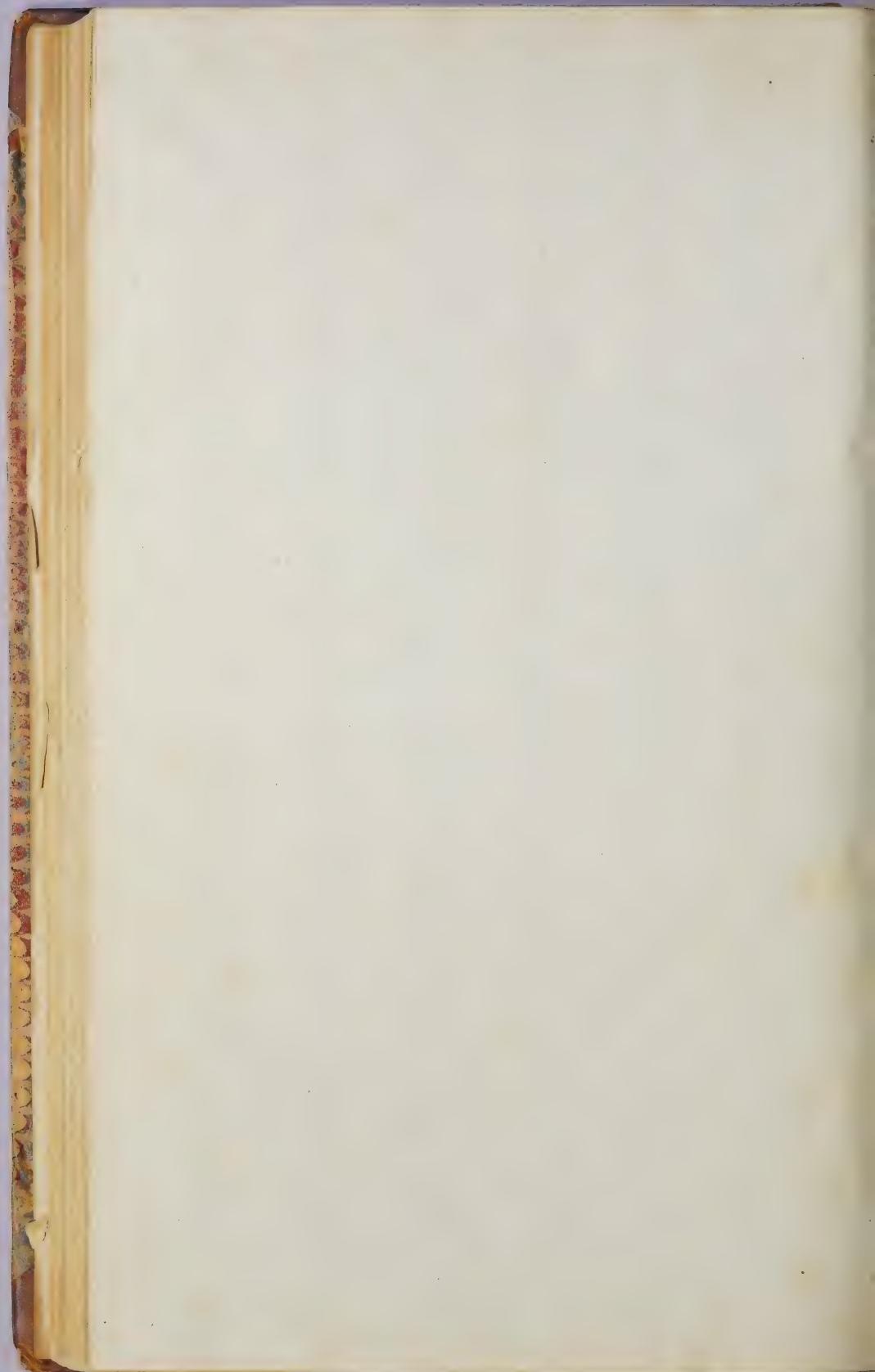
Secretary of the Treasury.

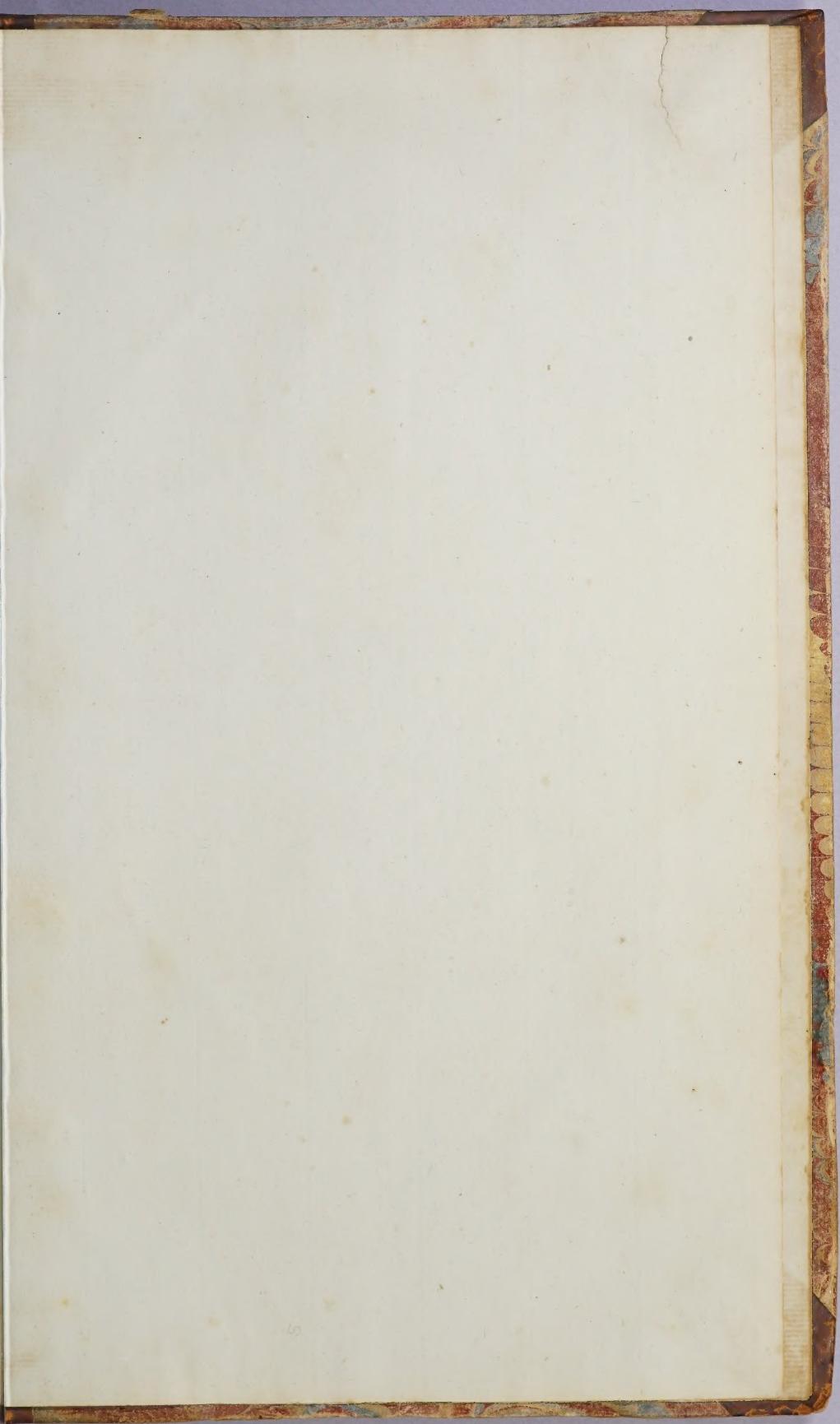
The Honorable WILLIAM SMITH, Esquire,
Chairman of the Committee of Ways and
Means, of the House of Representatives.

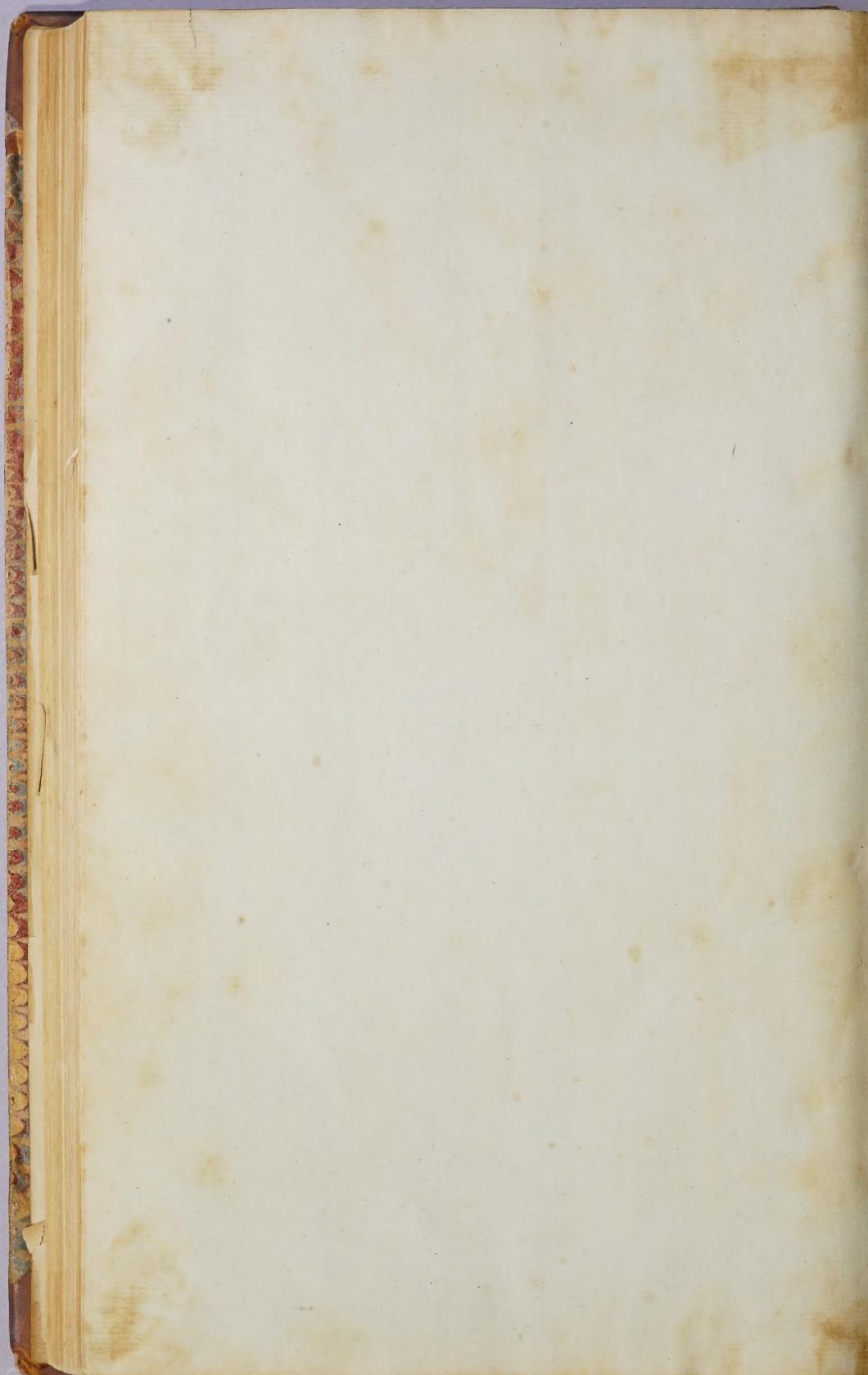
McHolcot's Report

March 8th 1796

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